



#### TABLE OF CONTENTS

- 2 Message from the Federal Co-Chair
- 4 Message from the State Co-Chair
- 5 Rural Alaska: Challenges
- 6 Creation of the Commission
- 7 Vision, Mission, Values, Guiding Principles
- 8 1998-2005 Commission Timeline
- 10 Commission Program Summaries
- 20 Fiscal Year 2005 Financial Summary
- 22 The Commissioners
- 24 The Commission Staff



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The Denali Commission's website has been recognized as one of the best in government for thoroughness and transparency. Here you can review detailed information on over 1,000 projects funded by the Commission and our program partners, as well as performance indicators on our progress. Click on the Project Database link on the homepage.

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#### A MODEL FOR GOVERNMENT

The Denali Commission is committed to finding cost-effective, innovative solutions, and being accountable by making information available to the public. Our use of e-government has been recognized by many as a model for government innovation and transparency.

Front cover photos: (left to right, top to bottom)

1.Evan Wassillie, a teacher's aide at the Kotzebue School coaches kindergarten students on using personal computers. Raised in the Kotzebue region, he was recently discharged from the Army, following a tour in Iraq; 2. Ribbon cutting at new health clinic in Golovin; 3. Alaskan Native whaling festival in Point Hope, Alaska shortly before Statehood (circa 1955); 4. A welder receives training as part of the Denali Training Fund; 5. Bulk fuel facility and wind towers in the community of Selawik; 6. Residents of Selawik greet Commissioners visiting their community; 7. A typical rural Alaska community; 8. An elder from the community of Savoonga; 9. A construction crew from the community of Unalakleet building the Unalakleet Sub-Regional Health Clinic.



# Innovative Partnerships for Success in Alaska Denali Commission 2005 Annual Report

In the seven years since its inception, the Denali Commission has made remarkable progress in the development of diversified and sustainable economies in Alaska. However, there is still significant work that remains to continue closing the gaps in the affordability and accessibility of basic infrastructure between rural Alaska and the rest of the United States.

This report offers an opportunity to:

- Learn about the creation and purpose of the Denali Commission;
- See the significant progress that has been made in just seven short years since the creation of the Commission;
- Learn about the Commission's model of using mutually beneficial partnerships with federal, state, local, tribal and other agencies and organizations to achieve our objectives;
- Read examples of successful projects in rural Alaska;
- Recognize the significant gaps that still remain between the quality and availability of basic infrastructure in rural Alaska as compared to the rest of the United States;
- Understand the Commission's ongoing approach and strategy to continue to address remaining basic needs in rural Alaska.
- Become involved in the work of the Commission.

#### THE POWER OF PARTNERSHIPS: A Message from the Federal Co-Chair

February 2006

Dear Friends of the Denali Commission,

Sixty years ago, Alaska newspaperman George Sundborg wrote for the Alaska Statehood Commission:

Alaska is so far removed from Washington, and has so many unique requirements, that it is almost fantastic to expect good local government in the Territory to stem from the national capital. Yet, under the territorial system, that apparently is the expectation. It has never been fulfilled. The history, as someone has said, is one of how Congress occasionally and hastily fashioned a few legislative garments for Alaska...how those clothes were never cut to fit, how Alaska tore them out in the seams and wore them out at the elbows, with Congress too busy to mend.



And just fifty years ago this month, delegates from across Alaska concluded their pioneering work at the University of Alaska in Fairbanks crafting the new constitution for the future State of Alaska. They wrote:

We bequeath to you a state that will be glorious in her achievements, a homeland filled with opportunities for living, a land where you can worship and pray, a country where ambitions will be bright and real, an Alaska that will grow with you as you grow. We trust you; you are our future. We ask you to take tomorrow and dream; we know that you will see visions we do not see. We are certain that in capturing today for you, you can plan and build. Help others to love and appreciate it. You are Alaska's children...

Just eight years ago, Senator Ted Stevens and his congressional colleagues fashioned a new and innovative legislative garment for Alaska – the Denali Commission. Chartered as an independent federal agency, the Commission moved quickly to form partnerships, to coordinate and lower the cost of government services to rural Alaska, to deliver essential community infrastructure, and to help train Alaskans for jobs and careers aiming towards sustainable economies and healthy communities.

This is no simple task. Alaska remains a very special place, the Last Frontier for our nation, a place where thousands of resourceful families live with pride off the road system in a constellation of over 200 remote communities set amidst fjords, rainforests, rugged mountain ranges, river systems, tundra and rugged seacoasts.

If those settlements were superimposed over the continental United States, the Aleutian community of Adak would sit atop Tucson, Arizona; while the southeast panhandle town of Metlakatla would be neighbors with Savannah, Georgia; and Barrow, the northernmost community in Alaska, would sit on the border of Canada and Minnesota.

Here, distances are vast and climates are harsh. The basic infrastructure and public services that are taken for granted in the rest of the country are often absent or inadequate. Here, on America's frontier, we are still catching up. We have a long journey ahead until Alaska's rural communities can truly be places of choice and opportunity.

As just one illustration, I recently visited the new health clinic in Kiana, an Inupiat village in northwest Alaska. This facility, funded by the Commission and several partners, provides a larger, more modern health clinic facility, with updated medical equipment including telemedicine, which has improved access to modern health services for the residents of this community. Significantly, the clinic is staffed by qualified and trained local residents. In rural Alaska, this is a powerful story. In the rest of the country, access to medical facilities with modern equipment is commonplace.

And while the Denali Commission focuses on capital infrastructure, government coordination, and job training, other partner organizations concentrate on human capacity, or social infrastructure. Only when all of these powerful building blocks of a healthy community are synchronized will we fulfill the vision of those delegates in Fairbanks fifty years ago, that we will have "... a state that will be glorious in her achievements, a homeland filled with opportunities ..."

On behalf of the Denali Commissioners and the staff, thank you to our many friends, program partners and supporters. We could not be advancing our mission without you.

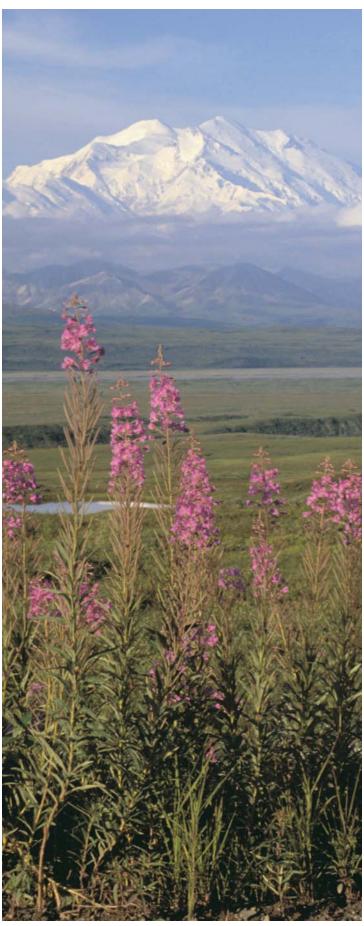
We hope you enjoy this Annual Report of the Denali Commission, and we invite you to join us on our journey.

Sincerely,

Denye J Carrelo

George J. Cannelos Federal Co-Chair

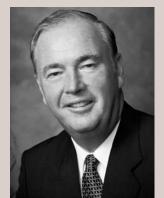




#### Dear Alaskans:

Seven years ago, Alaska joined the newly created Denali Commission in an innovative partnership with a valuable mission—to provide critical rural infrastructure in the most cost effective manner. The Denali Commission's work improves the quality of life for many Alaskans, at a time when 27 percent of rural Alaska households are below the poverty level and many communities lack basic infrastructure that other states take for granted.

The Denali Commission has partnered with an array of federal, state, tribal, Indian, and nongovernmental entities to achieve results, including upgrading rural bulk fuel facilities, improving access and delivery of health care, and providing jobs.



The first regional energy program in Alaska, the Middle Kuskokwim Regional Energy Program, has provided an ability to leverage planning, resources, and costs for long-term energy savings. By working with the Denali Commission, the Alaska Department of Health and Social Services has improved both access to and delivery of health care to rural areas by leveraging its limited resources. For the first time, residents of the Aleutian Chain have access to round-the-clock urgent care with a clinic in St. Paul this year, constructed ahead of schedule.

In addition, Alaska's priority "Bring the Kids Home" initiative has resulted in a youth psychiatric facility in Juneau, through partnering with the Denali Commission, providing support and options for families of children with mental illness.

We are also working together to find solutions by which we can harvest our abundant resources and provide good paying jobs in our rural communities. Ensuring that basic, sustainable infrastructure is in place will be a foundation on which economic opportunities can be built. By responsibly developing our resources, we can provide jobs so that Alaskans in school today, can find jobs to raise their families and start their careers, here in Alaska.

We have made tremendous strides in realizing Senator Ted Stevens' vision for the commission. On behalf of the State of Alaska, we look forward to a better future for all Alaskans and continued success of the Denali Commission.

Sincerely yours,

Governor Frank H. Murkowski

Frank W. Sunhl.

State Co-Chair

#### RURAL ALASKA: Challenges

#### **GEOGRAPHY:**

- The state of Alaska encompasses 20% of the land mass of the United States, and 5 climactic zones from the arctic desert to the temperate rain forests of the southeast.
- There are no connecting roads, railroads or power grids for most of the state.
- Health emergencies that require hospital care often involve costly air transportation that may be weatherdependent and can take as much time and money as a flight from New York to Los Angeles.

#### CLIMATE:

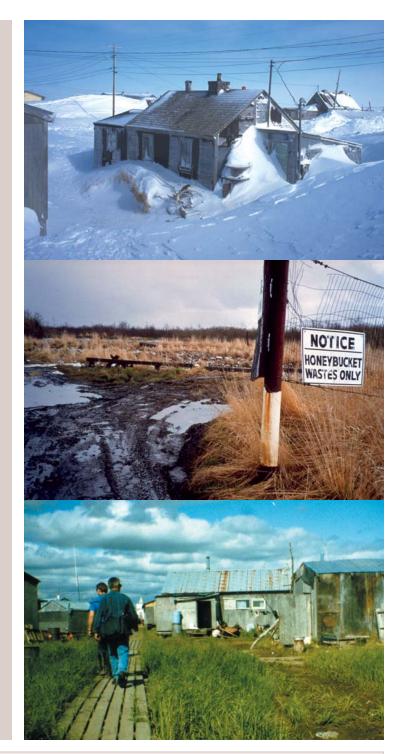
 Depending how far north a community is located, the window of opportunity to reliably navigate rivers and bring in barged goods can be as little as 30 days.
 Typically, communities have only a four-month window of time for receiving construction materials, fuel and equipment.

#### **ECONOMY:**

- Diesel-generated electricity rates are up to 10 times the national average.
- The economy of rural Alaska is a mix of government or government-funded jobs, natural resource extraction and traditional Native subsistence activities.
- In over 100 rural Alaska communities, unemployment consistently exceeds 50%.

"Projects for their own sake that do not include the promise of sustainability, including training and maintenance, will serve only as ribbon cutting events in the near term, and monuments to failure in the long term."

Mark Hamilton, Commissioner President, University of Alaska





#### THE CREATION OF THE COMMISSION: Overcoming Challenges and Establishing Priorities

In 1998, Senator Ted Stevens focused national attention on the infrastructure and economic challenges faced by rural Alaska communities with the passage of the Denali Commission Act. The Act was signed into law on October 21, 1998, becoming Title III of Public Law 105-277, 42 USC 3121.

The Commission is an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development in Alaska by delivering federal services in the most cost-effective manner possible. With the creation of the Commission, Congress acknowledged the need for increased inter-agency cooperation in addressing the unique infrastructure and economic challenges faced by America's most remote communities.

The Denali Commission Act of 1998, as amended (Division C, Title III, PL 105-277) states that the purposes of the Denali Commission are:

- To deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and
  overhead costs.
- To provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50%).
- To promote rural development and provide power generation and transmission facilities, modern communication systems, bulk fuel storage tanks, water and sewer systems, and other infrastructure needs.

The Denali Commission includes seven Commissioners: a Federal Co-Chair appointed by the Secretary of Commerce, a State Co-Chair who is the Governor of Alaska, and five additional members representing statewide, non-governmental organizations. The Commission is staffed by a small number of employees, augmented by additional personnel from partner organizations. The Commission relies upon a special network of federal, state, local, tribal and other organizations to successfully advance its mission.

The Commission members meet at least twice a year to develop and monitor annual work plans that guide its activities. Commissioners draw upon community-based comprehensive plans as well as comments from individuals, organizations and partners to guide funding decisions. This approach helps provide basic services in the most cost-effective manner by moving the problem-solving resources closer to the people best able to implement the solutions.

Despite the unique obstacles Alaskans face, the challenge of living in the "Last Frontier" fosters a strong sense of community among people and agencies who work together to overcome adversity.

"Alaskans must rediscover the spirit that existed before Prudhoe Bay, when we thought we were rich beyond our wildest dreams ... and that richness was of the spirit."

Walter J. Hickel Former Governor, State of Alaska





#### VISION

Alaska will have a healthy, well-trained labor force working in a diversified and sustainable economy that is supported by a fully developed and well-maintained infrastructure.

#### MISSION

The Commission will partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.

#### VALUES

**Catalyst For Positive Change** – The Commission will be an organization through which agencies of government, including tribal governments, may collaborate, guided by the people of Alaska, to aggressively do the right things in the right ways.

**Respect For People and Cultures** – The Commission will be guided by the people of Alaska in seeking to preserve the principles of self-determination, respect for diversity, and consideration of the rights of individuals.

**Inclusive** – The Commission will provide the opportunity for all interested parties to participate in decision-making and will carefully reflect their input in the design, selection, and implementation of programs and projects.

**Sustainability** – The Commission will promote programs and projects that meet the current needs of communities and provide for the anticipated needs of future generations.

Accountability - The Commission will set measurable standards of effectiveness and efficiency for both internal and external activities.

#### GUIDING PRINCIPLES:

- The Denali Commission will give priority to funding needs that are most clearly a federal responsibility.
- Denali Commission funds may supplement existing funding, but will not replace existing local, state, federal government or private funding.
- Denali Commission funds will not be used to create unfair competition with private enterprise.
- Projects must be sustainable.
- The Denali Commission will generally not select individual projects for funding nor manage individual projects, but will work through existing state, federal or other appropriate organizations to accomplish its mission.
- Projects in economically distressed communities will have priority for Denali Commission assistance.
- Projects should be compatible with local cultures and values.
- Projects that provide substantial health and safety benefit, and/or enhance traditional community values will generally receive priority over those that provide narrower benefits.
- Projects should have broad public involvement and support. Evidence of support might include endorsement by affected local government councils (municipal, tribal, IRA, etc.), participation by local governments in planning and overseeing work, and local cost sharing on an "ability to pay" basis.
- Priority will be generally given to projects with substantial cost sharing.
- Priority will generally be given to projects with a demonstrated commitment to local hire.

# The Denali Commission: A legacy of innovative government



## 1998

#### Denali Commission Act

Congress passes an act sponsored by Senator Ted Stevens which creates an innovative approach to addressing the infrastructure and economic challenges in rural Alaska – the Denali Commission.

## 1999

### **Updating Needs Assessment**

Working with the state of Alaska, the Commission updates an outdated assessment of State bulk fuel needs, and determines the level of need for new bulk fuel facilities in Alaska.

#### Rural Energy Needs

The Commission begins to solve the bulk fuel and energy crisis in rural Alaska through partnerships with state, federal, and private organizations by building bulk fuel facilities in communities with non-code-compliant facilities.

## PROJECTS COMPLETED

Bulk Fuel Facilities: 6

## 2000

#### Memorandum of Understanding

16 State and Federal agencies sign a Memorandum of Understanding (MOU) with the Commission outlining roles and coordinating the efforts of government agencies in rural Alaska.

#### Rural Health Needs

The Denali Commission designates rural health care facilities as a top priority for Commission support, and conducts a statewide survey of rural primary care facility needs. This survey identifies facility needs in 288 rural Alaska communities, at an estimated cost of \$253 million. The Commission begins building primary care clinics which meet the long-term health care needs of rural Alaska. The U.S.Department of Health and Human Services, through the Health Resources Services Administration (HRSA), provides funding support for the program.

## PROJECTS COMPLETED

Bulk Fuel Facilities: 9

## 2001

#### Denali Training Fund

The Denali Training Fund is created to provide job training for Commission and other public infrastructure projects across Alaska.

#### **Rural Power Needs**

The Commission performs a statewide rural power systems needs assessment, which identifies power system upgrade needs in 168 communities, and begins upgrading power systems in rural Alaska.

#### Sustainability

The Commission adopts a Sustainability Resolution, requiring communities to meet specific sustainability requirements before projects are funded.

#### PROJECTS COMPLETED

Bulk Fuel Facilities: 21 Power Systems: 3 Primary Care Clinics: 2 Job Training: 685 "Let's make decisions that, at the end of the day, are better for our environment, better for our economic growth, better for the quality of life of those who call the region home, and let's do all this in a way that makes the most of the public dollars dedicated to this effort."

Sandy K. Baruah Assistant Secretary of Commerce for Economic Development U. S. Department of Commerce



## 2002

#### Cost Containment

The Commission implements a Cost Containment Policy which ensures projects will be built at reasonable cost to the federal government. The policy sets initial benchmarks for dollars spent per gallon of storage in bulk fuel facilities, as well as dollars spent per kilowatt of power generated in power plants.

#### Washeterias

The Commission receives Congressional direction to begin building washeterias in rural Alaska.

#### PROJECTS COMPLETED

Bulk Fuel Facilities: 33 Power Systems: 6 Primary Care Clinics: 13 Job Training: 1581

## 2003

#### **Renewing Commitment**

33 State and Federal agencies sign an MOU renewing a commitment to coordinating the efforts of government agencies in rural Alaska.

#### Multi-Use Facilities

The Commission begins building Multi-Use Facilities in rural Alaska.

#### Private Enterprise

The Commission adopts a Private Enterprise Policy which guides decisions about investments in public infrastructure for economic development and assistance in the provision of basic services.

#### PROJECTS COMPLETED

Bulk Fuel Facilities: 44 Power Systems: 9 Primary Care Clinics: 37 Job Training: 2037

## 2004

#### **Expanding Missions**

The Commission receives Congressional direction to build teacher housing, elder supportive housing, domestic violence facilities, and solid waste facilities in rural Alaska.

#### Long-Term Investment

The Commission adopts an Investment Policy which guides decisions about infrastructure investment to meet the needs of communities and maximize sustainable long-term benefits to Alaska.

#### PROJECTS COMPLETED

Bulk Fuel Facilities: 56 Power Systems: 16 Primary Care Clinics: 46 Job Training: 3026

## 2005

#### Energy

The 2005 Energy Policy Act confirms the Commission's role in addressing Alaska's future energy needs by authorizing up to \$55 million annually for fiscal years 2006-2015.

#### Sustainable Development

The Commission implements a Community Planning requirement as part of its commitment to sustainable infrastructure development.

#### **Transportation**

The Transportation
Reauthorization Bill provides
the Commission authorization
for up to \$100 million over 4
years for roads, docks, harbors,
and related infrastructure in
rural Alaska.

#### New Leadership

Secretary of Commerce Carlos Gutierrez appoints Mr. George J. Cannelos to serve as the new Federal Co-Chair.

#### PROJECTS COMPLETED

Bulk Fuel Facilities: 62 Power Systems: 23 Primary Care Clinics: 55 Job Training: 4140

As reflected in its enabling legislation, the Denali Commission has been charged with the unique role of increasing the effectiveness of the many government programs, by acting as a catalyst to coordinate the many federal and state programs that serve rural Alaska.

Beginning in 2000, the Commission led the way by committing 16 state and federal agencies to this effort in jointly signing a Memorandum of Understanding (MOU). This MOU outlines the role of agencies in coordinating resources and efforts in areas such as community planning activities, sustainability, information technology and data sharing, and coordination of pre-construction activities. This MOU served as the basis for the creation of several multi-agency work groups and cooperative projects that have served to increase the agencies' collective effectiveness, and are examples of how we can accomplish more for rural Alaska by working collaboratively rather than independently.

Building upon past successes, in 2003 the Commission led the effort to revise the MOU and bring even more agencies into this collaborative effort. Based in large part on the demonstrated benefits and successes of working together, the number of state and federal agencies who were signatory to the revised MOU more than doubled to 33. This increased commitment demonstrates the dedication of many state and federal public officials to Government Coordination for the benefit of all Alaskans.

#### 2005 Program Success Story

The ability of the Commission to effectively coordinate the efforts of multiple agencies and local organizations by bringing the right people to the table was recently demonstrated in Togiak, Alaska. Like many communities in rural Alaska, this village of 805 people, located on Togiak Bay in Southwest Alaska, faces challenges in its education system. With over one-quarter of its population (219 students) enrolled in the local K-12 school, Togiak employs 23 teachers. A shortage of rental housing has been a major factor in a high rate of turnover in the teacher population.

A study conducted in 2004 by the Commission and its partners verified that the shortage of adequate teacher housing in many rural Alaska communities, such as Togiak, contributes to the high rates of teacher turnover. As a result of this study, and with the support of Senators Lisa Murkowski and Ted Stevens, the Commission received funding of \$5 million in

FY04 and \$10 million in FY05 to assist with teacher housing in rural Alaska.

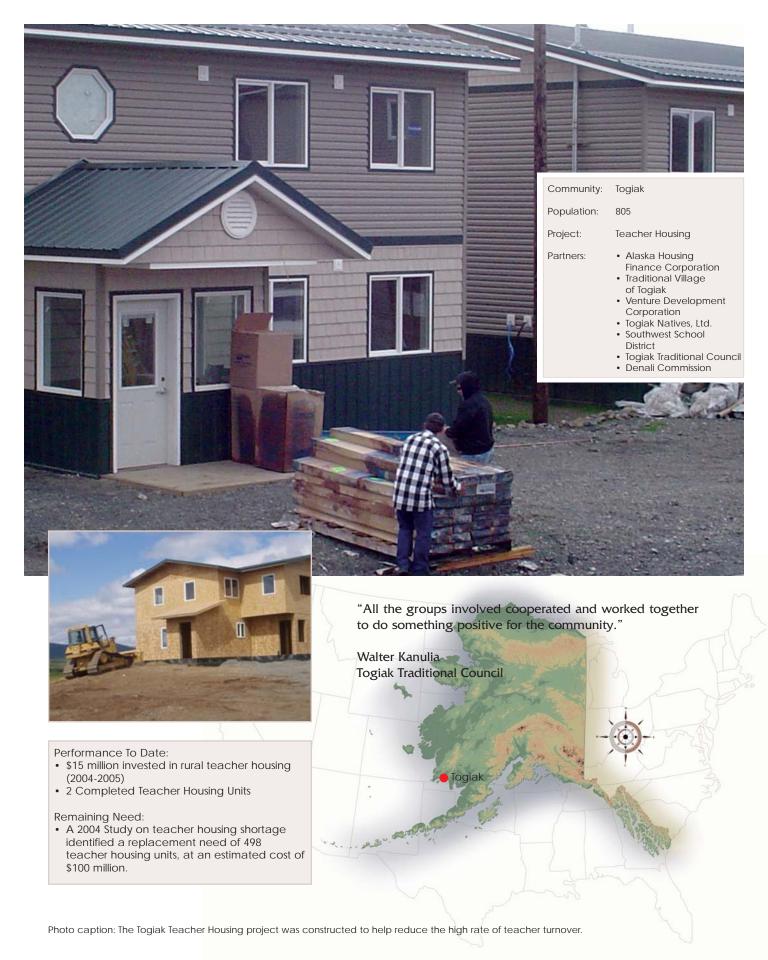
Successful partnering resulted in the generous donation of land for the buildings from Togiak Natives Limited (TNL). "We think the community will benefit from the project, and I think the teachers will like the housing units," says Nelly Thomas of TNL. The success of this project was not without its challenges, as James Wiedle, project manager at Alaska Housing Finance Corporation (AHFC), points out. "Getting everyone together was one of the toughest challenges of this project." The Commission is well suited to address this challenge. Its mission of Government Coordination is dedicated to working with other agencies, eliminating duplication, sharing resources, and bringing a "best practices" approach to delivering services.

The Commission and AHFC (a State agency) worked together to bring the various participants in this project together, and financed the design and construction of two four-plex housing units and one duplex unit to be owned by the Togiak Traditional Council. With the active participation of everyone involved, construction began in the spring of 2005 and was completed in the fall of the same year.

According to Elizabeth Francis, Southwest School District Business Manager, "the biggest advantage is that the teachers will be living near the school, which helps them because they tend to work long hours, often late at night." The location of teacher housing close to the school will also help to deter vandalism.

#### **Future Direction**

Through its delivery of infrastructure programs, the Commission continues to lead by example in the area of government efficiency and coordination. By creating a foundation of cooperation, the Denali Commission is better able to fulfill its objectives with greater efficiency and effectiveness at a lower cost. While the future of Denali Commission funding for Teacher Housing projects is unknown, by continuing to foster coordinated efforts among government agencies around unmet needs like teacher housing, a compelling argument can be made to support ongoing investment. The Togiak Teacher Housing project is a clear example of how successful partnerships result in projects that better meet the needs of rural Alaska.



Most communities in rural Alaska are almost solely dependent on diesel-powered generation to produce power. Their remote locations dictate that they must purchase and store a six-to-thirteen-month supply of diesel fuel at a time in order to meet their power generation and home heating needs through the winter season. Many of their bulk fuel storage facilities, however, are more than 50 years old. Deteriorating and leaking, these non-code compliant fuel tanks contaminate the water supplies and pose serious fire hazards. Under the Oil Pollution Act of 1990, which implemented strict new standards for owners and users of bulk fuel storage facilities, the US Coast Guard declared it would no longer allow fuel deliveries to communities whose fuel tanks were leaking or otherwise contaminating the soil and water around them. The new standards laid out in this Act were well beyond the financial reach of many rural communities, and they looked to the federal government for assistance.

The Denali Commission was born out of this critical need to both protect human and environmental health and address the energy needs of rural Alaska. Since its inception, the Denali Commission has invested over \$275 million, or 49% of its total budget, to support energy projects. The energy program's primary focus is on bulk fuel construction, with more than 17.5 million gallons of new bulk fuel storage in 62 communities completed, and an additional 65 projects underway. The energy program also funds upgrades to community power generation and distribution systems, with 23 systems upgraded to date, and an additional 36 projects underway. When funding is available, the Commission also supports energy cost reduction projects such as diesel efficiency upgrades or switchgear upgrades. In partnership with the Alaska Energy Authority (AEA) (a state agency), Alaska Village Electric Cooperative (AVEC), and other rural partners, great strides are being made to develop safe and reliable energy infrastructure in Alaska as cost effectively as possible.

#### 2005 Success Story

Like many communities in rural Alaska, False Pass (population 62) faced challenges in maintaining a consistent and environmentally safe supply of diesel fuel for power generation. Located on the eastern shore of Unimak Island in the Aleutian Chain, False Pass was one of 172 Alaskan communities identified by the U.S. Coast Guard and U.S. Environmental Protection Agency as possessing deteriorated and environmentally hazardous fuel tanks.

With AEA managing design and construction, the Denali Commission financed a new 61,000 gallon bulk fuel storage facility in False Pass. In February 2004, just as the project's final design neared completion, changes in fuel delivery service were announced that would have left the community without a way to unload diesel fuel from the barges that deliver fuel to coastal communities.

AEA, the Denali Commission, and False Pass worked together to modify the final design plan. The construction site for the bulk fuel tanks was moved from the powerhouse (located farther inland) down to the city's shore-side dock, and a marine header was installed so diesel fuel could be directly unloaded from fuel barges. A 5,000 gallon intermediate fuel tank was added next to the powerhouse. Fuel is now trucked from the bulk fuel facility at the city dock to the new intermediate tank which provides fuel for the generators inside the powerhouse.

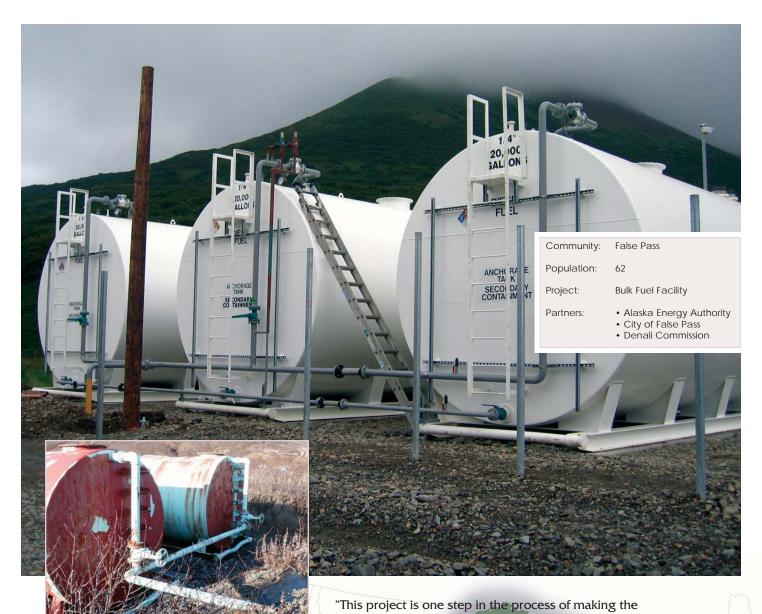
False Pass was fortunate that its diesel fuel supplier announced a change in service while the new tank farm was still being designed, says John Nickels, former City Administrator of False Pass. "We were able to move [the project construction site] down to the city dock where fuel could be offloaded directly into the tanks."

Despite changing the construction location for the bulk fuel facility, "the project was completed on time and under budget with the assistance of the City of False Pass," says AEA project manager Bryan Carey. Ultimately, the project cost 10% less than originally projected.

The partnership between the Denali Commission, AEA and the City of False Pass helped turn a challenging situation into an opportunity for the community. "The new bulk fuel facility provides the community with infrastructure to acquire and safely store the diesel fuel it needs to generate power," says Nickels.

#### **Future Direction**

Based on the demonstrated success of the bulk fuel program and assuming continued funding levels of approximately \$25 million per year, corrections for non-code-compliant bulk fuel storage facilities will be fully funded by 2012, with final completion of all projects anticipated in 2014. As demonstrated in the City of False Pass, the Commission's successful partnerships throughout the State will leave a legacy of sustainable solutions for the energy challenges faced in rural Alaska.



#### Performance To Date:

- \$275 million has been invested in Rural Energy (1999 – 2005)
- 62 Bulk Fuel Facilities have been completed, with an additional 65 projects underway.
- 23 Rural Power Systems Upgrade (RPSU) projects (either new construction or repair and renovation) have been completed, with an additional 36 projects underway.

#### Remaining Need:

- In 2000, approximately \$300 million in need for Power Generation Facilities was identified. At the present rate of funding, it will take another 10-12 years to complete sustainable power generation in most communities.
- In 2000, \$362.5 million in need for Bulk Fuel Facilities was identified. At the present rate of funding, it will take another 6-8 years to complete sustainable bulk fuel facilities in most communities.



Photo caption (above): The new bulk fuel facility is a great improvement from the old environmentally hazardous tanks that were deteriorating in False Pass, shown below.

When health crises arise, options are often extremely limited in rural Alaska. Health emergencies that require hospital care often involve costly air transportation that can take as much time and money as a flight from New York to Los Angeles, if weather permits. The typical rural community health facility is aging, small and inadequate to provide necessary services. In one of its earliest decisions, the Denali Commission designated rural health care as a top priority for Commission support and is continuing its work to provide safe and appropriate infrastructure which will improve health care delivery for rural Alaskans.

In 2000, the Commission identified rural primary care facility needs in more than 288 rural communities, and estimated the cost of needed rural primary care facilities to be \$253 million. Through its Health Facilities Program, and in partnership with the US Department of Health and Human Services, the State of Alaska, and Alaska health providers, the Commission is working to address the infrastructure needs of communities statewide to ensure all Alaskans receive safe and reliable health care.

At the end of FY05, the health facilities program has completed the construction (either new or repair and renovation) of 55 clinics, with an additional 103 projects underway. The Commission has also revised its clinical space guidelines to incorporate dedicated space for dental and behavioral health services, as well as additional space for mid-level providers.

#### 2005 Success Story

Minto is a rural community of 207 residents located on the Tolovana River, 130 miles northwest of Fairbanks, and is one of the 55 communities that have constructed a new primary care clinic. "The old Minto Clinic was deteriorated. It is 20-25 years old, located inside an old lodge," says Andy Jimmie, former Chief of the Minto IRA Council. "Even though we had renovated and expanded it from one exam room to two, there were too many patients and it was getting more crowded every year."

In contrast, the new clinic is 2,580 square feet and includes two exam rooms, an office and waiting area, behavioral health and dental rooms, greater laboratory space, and several other amenities unavailable in the old clinic. Several partners were involved in the construction and financing of the Minto Clinic. The cost of design and a large portion of construction costs were covered by the Denali Commission. Remaining construction costs were financed with Indian Health Service equipment funds, a Rasmuson Foundation grant, and a grant for behavioral health space from the Alaska Mental Health Trust Authority. Minto made a local contribution of land, gravel, and worked hard to prepare the construction site. The Alaska Native Tribal Health Consortium (ANTHC) managed construction of the project.

By October of 2004, the final design for the Minto Clinic had been approved, and the construction site was ready for preparation. "Initially, we were only supposed to pour concrete for the foundation," says ANTHC site superintendent Dave Roland. "The community was so eager, that after a couple of days we had already completed some of the outer walls of the clinic. They really took the bull by the horns."

Cooperation and hard work enabled construction of the Minto Clinic completed by May 1, 2005 – one year earlier than projected – something Andy Jimmie is proud of. "We completed the project very early, with almost all local hire," he says. "Other villages are impressed by how quickly and efficiently we built our clinic, and they are asking us for advice, which we are giving."

#### **Future Direction**

While the Needs Assessment documented the deficiencies in 288 communities, and the Health Facilities Program has demonstrated success in completing facility upgrades and new construction, additional need still exists. In cooperation with its partners, the Commission has developed a strategy to meet these needs by the year 2010, based on anticipated continued funding of approximately \$40 million per year. By addressing these needs, the Commission and its partners will leave a sustainable legacy of health care facilities and services, as they have in the community of Minto.



Today, there are limited cash-paying jobs in most rural communities. Those jobs that do exist are overwhelmingly supported by government funding. Unfortunately, when job opportunities in these rural areas do become available, rural residents often lack the skills necessary to compete with skilled people from outside the community. In over 100 rural Alaska communities, unemployment consistently exceeds 50%.

The Denali Commission has placed job training at the center of its comprehensive plan for economic growth in rural Alaska. In just a few short years, the Commission has made significant strides in assisting rural residents with their job training needs. As the Commission funds projects for construction, it also builds sustainability into projects by training local residents to operate and maintain facilities. The Commission's commitment to training in these areas also includes training for the many health careers that are necessary for the operation and maintenance of Commission funded health facilities.

#### 2005 Success Story

The demand for healthcare services across the United States is increasing, and rural Alaska is no exception. With many rural communities facing shortages of trained healthcare workers, the University of Alaska's Allied Health Alliance (AHA), assisted by the Denali Commission, decided to take action.

The AHA is an alliance of University educators from across the state which seeks to expand healthcare education in Alaska. Recognizing rural Alaska's need for healthcare workers, AHA presented a training proposal to the Denali Commission in 2003. The Commission agreed to provide funding for occupational training for healthcare workers in rural Alaska. As a result, the Allied Health Training Project was born.

In the 2004-2005 academic year, the first year of the training project, 288 students participated in classes required for certification in a variety of healthcare careers, including Community Health Aide, Health Care Reimbursement, Pharmaceutical Technologist, Medical Laboratory Technician, Dental Assistant, Radiologist, Personal Care Attendant, and Community Wellness Advocate. For the 2005-2006 academic school year, AHA expects at least 500 students to enroll in courses required for certification in a healthcare career.

University professors have found one of the most successful ways to teach students in rural Alaska is to bring the classroom to them. "The Denali Commission funding has given us the resources to deliver distance education courses through the

web," says Tammy Green, Division Director of Allied Health Sciences. "It allows students to access education from home and gain learning experience in their community."

There are, however, limitations to what can be conveyed online or through teleconferencing. Because of these limitations, AHA has partnered with regional health corporations to identify healthcare mentors who can interact with rural students in person.

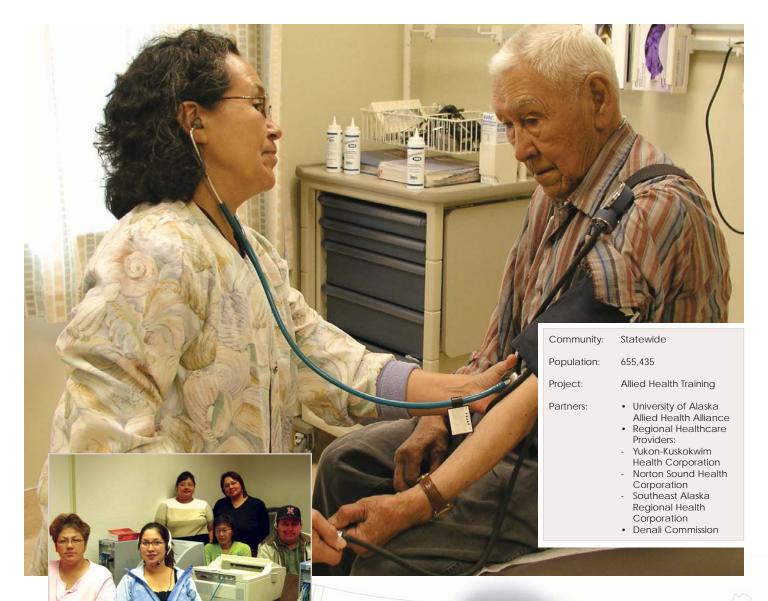
One such mentor is Leslie Boelens of Yukon-Kuskokwim Health Corporation. "It has been very rewarding to work with our students and observe their professional development," says Boelens. "One of the best aspects is that our students are able to pursue a quality education in their own communities while they work and care for their families and participate in their subsistence and cultural activities."

"Without our partnerships with the regional healthcare providers and our mentors," says Jan Harris, Director of Health Workforce Development Projects at the University of Alaska, "we could never provide the quality of education rural students are receiving."

One healthcare student who has experienced success is Fred Lamont, from St. Mary's (population 539) in southwest Alaska. A newly trained and certified phlebotomist, Lamont plans on furthering his education and becoming a Medical Laboratory Technician. "The only shortcoming to distance education is there is no teacher in front of you at a chalk board. But, I did like being independent and doing the work on my own time," he says. He also notes, "Services are delivered differently in the village. Education, like healthcare in rural Alaska, is a collaborative effort."

#### **Future Direction**

The Denali Commission's Training Strategy creates a statewide system to increase the local employment rates in Alaskan communities through the development of skills necessary to construct, maintain and operate public infrastructure. This protects the Commission's investment in infrastructure by ensuring local residents are properly trained in the operations and maintenance of completed facilities. The Commission will continue to invest its training funds in these areas, with the flexibility for future investment in other job training needs statewide.



#### Performance To Date:

- \$19 million has been allocated to the Training Program (1999 – 2005)
- The Denali Training Fund has successfully trained 4140 rural residents to have the skills needed to be employed in the construction, operation, and maintenance of Denali Commission and other public infrastructure projects with the potential to lead to longterm careers.
- Training funds have also been allocated to the Alaska Works Partnership, University of Alaska, the Associated General Contractors of Alaska, and First Alaskans Institute for training and career skills assessment activities.

"It works better to hire someone in the village and teach them to work in the lab than it does to hire a laboratory professional and try to teach them to live in the village."

Leslie Boelens
Healthcare Training Mentor
Yukon-Kuskokwim Health Corporation

One of the purposes of the Denali Commission is to provide economic development services in rural Alaska, particularly in distressed communities. The Commission believes that sustainable economic development for Alaska's rural communities, as in the rest of America, must be generated in the private sector rather than within government. To that end, the Commission's economic development program supports the development of public infrastructure upon which the private sector creates jobs and wealth, and helps ensure that good businesses and business ideas have a chance of becoming long-term, self-sustaining enterprises.

Several partnerships have been critical to the Commission's economic development mission. Partnerships with the State of Alaska, Alaska Growth Capital, Alaska Federation of Natives, and the First Alaskans Institute have resulted in economic development opportunities for rural Alaska, such as:

- The production of new digital community profile maps, which allow communities to coordinate planning and public infrastructure development;
- Lending and equity investment capital;
  Technical assistance in business development;
- Promotion of entrepreneurship; and
- Rural development performance measures to gauge the effectiveness of rural and economic development programs.

#### 2005 Success Story

Located on Norton Sound in western Alaska, the community of Unalakleet has a longstanding relationship with the Denali Commission. In 2001, the Commission partnered with Norton Sound Health Corporation (NSHC) to construct a sub-regional primary care clinic which provides health services to Unalakleet's 728 residents, as well as residents from neighboring communities who require a level of care not offered in their community.

Four years later, the Denali Commission and its partner organization Alaska Growth Capital (AGC), are further improving healthcare in the community by financing an 8-plex apartment building which supports the clinic. The new apartment building provides long-term housing for medical personnel, as well as short-term housing for visiting patients and families receiving treatment at the clinic.

Alaska Growth Capital, a wholly owned subsidiary of Arctic Slope Regional Corporation (ASRC), is a commercial lender which uses a unique combination of capital and business consulting expertise to stimulate economic activity and development.

Working with the Denali Commission, AGC provides financing for privately-owned Alaskan companies in distressed communities. The Commission provides funding to AGC through a unique "pay-for-performance" agreement. Under the agreement, AGC provides a specified level of financing and consulting services to businesses in economically-distressed communities for 10 years. If AGC does not meet performance goals during any of the 10 years of the agreement, it must return some of the funding to the Commission.

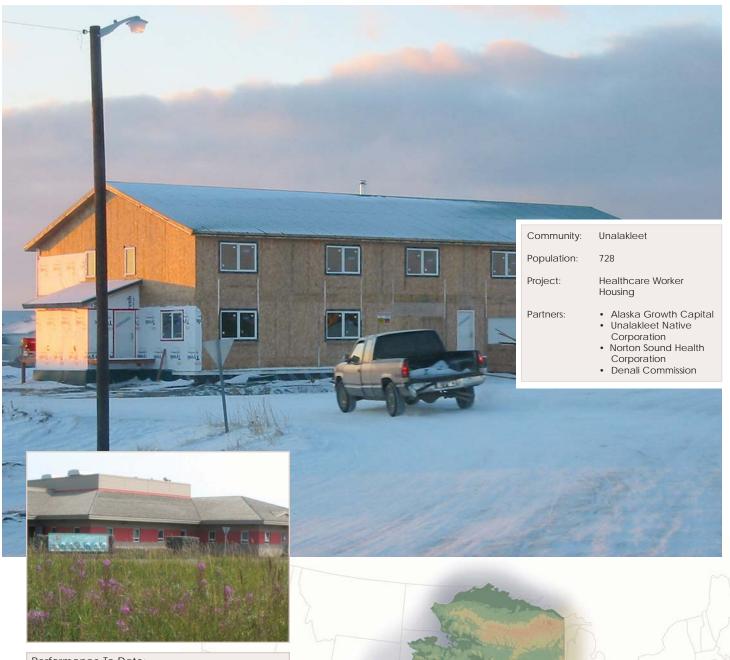
"Infrastructure improvements like the new healthcare complex in Unalakleet have monumental impact on rural Alaska," says David Hoffman, the Chief Executive Officer of AGC.

Unalakleet Native Corporation received financing from AGC to construct the 8-plex apartment building. It leases half of the 8-plex, which is conveniently located next to the clinic, to Norton Sound Health Corporation's healthcare workers. The other half is rented to patients and families from neighboring communities who travel to Unalakleet for healthcare.

"The 8-plex is a selling point when trying to attract additional healthcare providers (to Unalakleet), which is difficult to do given our remote location," says Amy Miller, a NSHC representative. "As it stands, the 8-plex is going to allow us to bring in an audiologist and a dentist."

#### **Future Direction**

Through its partnerships, the Denali Commission is stimulating private investment, economic activity and improved service delivery in rural Alaska. The Commission will continue to act as a facilitator to bring potential economic development participants together to support community projects, or assist in matching business investment opportunities with available funding sources. The Commission may also serve as a catalyst for identification and removal of unnecessary barriers to economic development by governments.



#### Performance To Date:

- \$10.5 million has been allocated to the Economic Development Program (1999 – 2005)
- The majority of Economic Development funds have been allocated to the following:
  - 1. Mini-Grant Program, operated by the Alaska Department of Commerce, Community and Economic Development. 83 Mini-Grant projects have been funded.
  - 2. The Commission has provided \$5.3 million to capitalize the Loan Program operated by Alaska Growth Capital, Inc. This program provides technical and financial assistance to businesses in Alaska, with emphasis on Alaskaowned businesses in distressed rural communities.

"Alaska Growth Capital made this investment as a financial partner and a community partner. Organizations like AGC are vital to growth and prosperity in rural Alaska because they take risks no one else is willing to take. As a businessperson, I admire that."

Unalakleet

Paul Johnson Former CEO Unalakleet Native Corporation

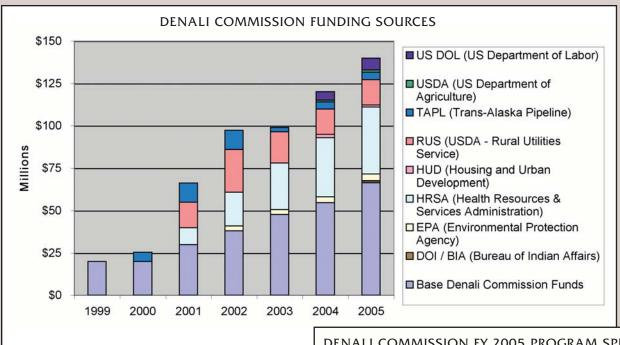
Photo caption (above): The 8-plex apartment building will accommodate healthcare workers as well as patients traveling from neighboring communities. Photo caption (below): The Unalakleet Sub-Regional Health Clinic.

#### FISCAL YEAR 2005 FINANCIAL SUMMARY

As reflected in its enabling legislation, the Denali Commission's first specific purpose is "to deliver the services of the Federal Government in the most cost-effective manner practicable." From the first meeting of the Commission, the members recognized that this mandate could only be accomplished through establishing strong partnerships with local, state and other federal agencies. Working with partners, the Commission helps eliminate duplication, share resources, and bring a "best practices" approach to doing the public's business.

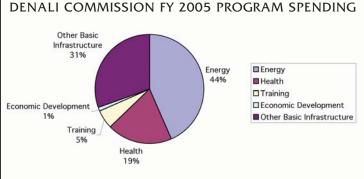
During Fiscal Year 2005, the Denali Commission continued to focus on rural energy and rural health care needs as its top infrastructure priorities, obligating more than half of the total FY 2005 funding received by the agency to these critical programs. Additional investments were made in the program areas of job training, economic development, elder and teacher housing, solid waste, and other basic infrastructure.

In addition to the FY 2005 financial and project information contained in this report, current information can be found on the Denali Commission website at www.denali.gov.



"Since its creation in 1998, the Denali Commission has delivered vital federal services to Alaska's rural communities. It has become a model for federal, state, and local partnerships. With the Commission's leadership, we have made significant progress, but there is still much more we must accomplish. I will continue to encourage my colleagues in Congress to support the Commission's efforts to modernize our state's basic infrastructure."

Senator Ted Stevens United States Senate



## FINANCIAL DATA FOR FISCAL YEAR 2005 (ending September 30, 2005)

Funding Sources	
Energy & Water Development Bill	\$ 67,000,000
Rescission (withdrawal of a percentage of funds across all agencies in government) Trans-Alaska Pipeline Liability Funds (TAPL)	\$ (536,000) \$ 4,252,042
Department of the Interior Funds	\$ 986,108
USDA Rural Utility Service Funds	\$ 15,000,000
Health & Human Services Funds	\$ 39,543,703
Environmental Protection Agency Funds	\$ 3,968,000
Department of Labor Funds	\$ 6,944,000
USDA Solid Waste Funds	\$ 1,500,000
Housing & Urban Development Funds	\$ 1,289,600
Total Funding	\$139,947,453
Funding Uses	
Obligated Funds	
Program Obligated Liabilities	
Energy & Water Development Bill	\$ 49,322,858
Trans-Alaska Pipeline Liability Trust Fund (TAPL)	\$ 4,039,440
Department of the Interior Funds	\$ 936,803
USDA Rural Utility Service Funds	\$ 14,400,000
USDA Solid Waste Funds	\$ 1,089,650
Environmental Protection Agency	\$ 3,769,600
Department of Labor Funds	\$ 6,596,800
Health & Human Services Funds	\$ 37,566,518 \$ 600,000
Housing & Urban Development Funds	\$ 600,000
Total Program Obligated Funds	\$118,321,669
Administrative Funds	
Operating Funds	\$ 3,892,322
Program Supplemental Projects	\$ 1,365,880
Total Administrative Obligated Funds	\$ 5,258,202
Committed Funds	
Program Funds	\$ 14,767,582
Administrative Funds	\$ 1,600,000
Total Committed Funds	\$ 16,367,582
Total Obligated & Committed Funds	\$139,947,453



George Cannelos Federal Co-Chair, The Denali Commission

George J. Cannelos was appointed the Federal Co-Chair of the Denali Commission by U.S. Secretary Carlos M. Gutierrez and began work at the Commission on October 3, 2005. He most recently served as the President and Chief Operating Officer of the architecture and design firm, Koonce Pfeffer Bettis, Inc., and Director of the Heritage Land Bank for the Municipality of Anchorage. He capped a 32-year military career as a Brigadier General commanding the Alaska Air National Guard.

Mr. Cannelos also has considerable experience in rural Alaska. He began his career in Alaska in 1975 with the Department of Community & Regional Affairs. Over the years, he has completed planning projects in over 50 Alaskan communities, both in the public and private sector, to include comprehensive planning, coastal management planning, transportation planning, feasibility studies, training and ANCSA 14(c) land management work. He served as Chief Operating Officer for Chugach Alaska, Inc., and as Land Manager and General Manager for Bethel Native Corporation. He resided in Bethel in the early 1980s.

He earned a Bachelors degree from Lewis and Clark College and a Masters of Regional Planning from the University of Pennsylvania. Mr. Cannelos is a member of the Anchorage Rotary, Commonwealth North, a board member of the Anchorage Community Land Trust, Vice President of Anchorage Winter Cities, and a member of the American Institute of Certified Planners.



Governor Frank Murkowski State Co-Chair, The Denali Commission

Governor Frank H. Murkowski is the State Co-Chair of the Denali Commission. Elected in 2002, Mr. Murkowski is Alaska's tenth governor. Prior to his election as Governor, Mr. Murkowski served Alaska in the U.S. Senate for 22 years.

Governor Murkowski was raised in Ketchikan, Alaska. He attended Santa Clara University and graduated from Seattle University with a major in economics. He served in the U.S. Coast Guard in Sitka and Ketchikan. After his tour of duty, Murkowski began his career in banking and was associated with the National Bank of Alaska for ten years. He then served Governor Walter J. Hickel as Commissioner of the Department of Economic Development from 1966-1969. In 1971, he became president of the Alaska National Bank in Fairbanks. Governor Murkowski served in the U.S. Senate from 1981 to 2002. During his tenure, he served as chairman of the Energy Committee and as Subcommittee Chairman of Pacific and East Asian Affairs on the Foreign Relations Committee. He also served on the Committees of Finance, Indian Affairs, and Veterans Affairs.

Governor Murkowski has been an active member in professional and community organizations including the Alaska State Chamber of Commerce, Alaska Bankers Association, Young Presidents Organization, Elks, American Legion, and Pioneers of Alaska.



Richard Cattanach Executive Director, Associated General Contractors of Alaska

Richard Cattanach is Executive Director of the Associated General Contractors of Alaska. A Certified Public Accountant by training, Mr. Cattanach has been a university professor, a university administrator, a banker, and a contractor.

He received his Bachelor of Science in Business Administration from the University of Wisconsin, a Masters of Science in Business Administration from the University of Denver, and a Doctorate of Philosophy from Arizona State University. Mr. Cattanach has served on many boards and has received numerous awards for his work on behalf of the construction industry. Mr. Cattanach was appointed to serve as Denali Commissioner in September 2001.

22



Mark Hamilton President, University of Alaska

Mark R. Hamilton became the twelfth President of the University of Alaska on August 10, 1998. He is an articulate and effective spokesman for the State's University system. Prior to accepting the chief leadership position of the University, President Hamilton was a U.S. Army Major General in charge of recruiting.

President Hamilton received his Bachelor of Science degree from the U.S. Military Academy at West Point and his Masters Degree in English Literature from Florida State University. He is also a graduate of the Armed Forces Staff College and of the U.S. Army War College. During his thirty-one years of active duty, President Hamilton was assigned to various locations around the globe, including two tours in Alaska. He received the Army's highest peacetime award, the Distinguished Service Medal; and the Armed Forces' highest peacetime award, the Joint Distinguished Service Medal.



Julie Kitka President, Alaska Federation of Natives

Julie E. Kitka currently serves as President of the Alaska Federation of Natives (AFN) at the pleasure of a thirty-seven member Board of Directors representing the thirteen regional Alaska Native Claims Settlement Act corporations, the twelve regional non-profit tribal associations and the villages.

She represents AFN before the U.S. Congress, federal agencies, the Alaska State Legislature and state agencies on Alaska Native issues of statewide importance. Ms. Kitka began working at AFN in late 1981 and has held numerous positions within the organization including Special Assistant-Human Resources, Congressional Lobbyist, and Vice-President. She earned a Bachelor's Degree in Business Administration from Alaska Pacific University in Anchorage.



Kevin Ritchie Executive Director, Alaska Municipal League

Kevin Ritchie is Executive Director of the Alaska Municipal League/Alaska Conference of Mayors, a coalition of 142 cities and boroughs representing approximately 97% of the population of Alaska. He is also an adjunct assistant professor in the Masters of Public Administration Program at the University of Alaska Southeast.

His background includes: Manager of the City and Borough of Juneau; Director of the Division of Personnel/Equal Employment Opportunity for the State of Alaska; Executive Director of the Juneau Economic Development Council; and VISTA Volunteer for the Tacoma Urban League, Minority Concerns Task Force. He is a past member of the Board of Directors of the National League of Cities, a member of the Area Discipline Committee for the Alaska Bar Association and a Past President and Charter Member of the Juneau Gastineau Rotary Club.



Gary Brooks Alaska State AFL-CIO Representative

Gary Brooks is recently retired after serving 18 years as Business Manager/Financial Secretary of the International Brotherhood of Electrical Workers (IBEW), Local Union 1547. He has been a member of IBEW since 1972 and has served in a number of positions since that time. He has served as Chairman of the Alaska Electrical Pension Trust; Chairman of the Alaska Electrical Apprenticeship Trust; Secretary-Treasurer of the Health & Welfare Trust; as well as President, Treasurer and member on the IBEW Executive Board. Commissioner Brooks has also served as Vice President of the Alaska AFL-CIO, Treasurer of the Alaska Works Partnership and was appointed to the Alaska Human Resource Investment Council in 1994.

#### 2005 DENALI COMMISSION STAFF

#### Nelson Angapak, Sr.

Alaska Federation of Natives/Alaska Native Claims Settlement Act CEOs' Representative Detailed from: Alaska Federation of Natives

#### Joey Kay Ausel

Grants Manager and Analyst

#### Jennifer Boyd

Executive Assistant to the Federal Co-Chair

#### Valerie Boyd

**Executive Assistant** 

#### George J. Cannelos

Federal Co-Chair

#### Lindsey Cipriano

Finance and Support Services Specialist

#### Denali Daniels

Program Manager

#### Corrine Eilo

Administrator

#### Jamilia George

Representative to the State Co-Chair

Detailed from: Executive Branch State Government

#### Krag Johnsen

Chief of Staff

#### Mike Marsh

Legislative Liaison and Inspector General Detailed from: Alaska State Legislature

#### Paul McIntosh

Program Manager

Detailed from: USDA Forest Service

#### Nancy Merriman

Deputy Administrator

### Michelle O'Leary

Senior Program Analyst

#### Kathy Prentki

Energy Program Manager

#### Jennifer Price

Finance Director

#### Tessa Rinner

Health Facilities Program Manager

#### **Cindy Roberts**

Program Manager

Detailed from: Alaska Department of Commerce,

Community & Economic Development

#### Rayna Swanson

Liaison/Program Manager

Detailed from: Rural Alaska Community Action Program,

Inc. (RurAL CAP)

#### Carla Tuttle

Deputy Finance Director



Pictured from left to right, back row first: Mike Marsh, George Cannelos, Tessa Rinner, Jennifer Boyd, Kathy Prentki, Rayna Swanson, Paul McIntosh, Krag Johnsen, Lindsey Cipriano, Carla Tuttle, Nancy Merriman, Joey Ausel, Corrine Eilo, Cindy Roberts.

Not pictured: Nelson Angapak, Sr., Valerie Boyd, Denali Daniels, Jamilia George, Michelle O'Leary, Jennifer Price.





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